

Higher Education

for the 21st Century

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Foreword

Our people hold the key to our future. We have already set out an ambitious agenda to raise standards in our schools.

But that is not enough. We need to ensure that everybody - whatever their age or background - has access to lifelong learning, with education and training throughout their life.

We need to develop a culture of lifelong learning if we are to compete in world markets including Europe and the growing economies of the Far East.

The report of the National Committee of Inquiry into Higher Education under Sir Ron Dearing, *Higher Education in the Learning Society*, which is published today, sets out a vision for the future development of higher education in a learning society which the Government welcomes.

Our universities and colleges must have the opportunity to offer world class higher education so that all students - whether young or mature - can develop their full intellectual and personal potential.

In the nineteenth century and indeed for much of this century economic success depended largely on investment in fixed capital - buildings, plant and machinery. The power of the machine was the main determinant of success in the late nineteenth century and beyond.

By contrast, some of the fastest growing and most successful companies today are those which depend not on plant and machinery but on intellectual capital. If this country is to remain internationally competitive in the 21st century, we need to invest in our people, mirroring the investment in fixed capital and equipment of the past.

Too often people have regarded their learning as coming to an end when they leave school or college. But the pace of change is now so fast - and is likely to continue to increase - that no-one can afford to stand still.

Higher education has a major contribution to make to lifelong learning, but access must be widened to include those who have traditionally been under-represented in our colleges and universities.

Since the early 1960s higher education has changed beyond recognition.

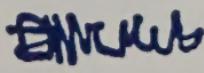
There are six times as many young people going on to higher education now as then. Over half of all students are mature students, and just over a third are part-timers. Grants have gradually been replaced with student loans. But participation in higher education by socio-economic groups D and E is still less than half that of groups A to C. So we need a radical new approach if we are to improve access in the future.

We need a radical new approach, too, if higher education is to be funded in a way which addresses the looming crisis caused by dramatic but underfunded growth.

That was why, in Opposition, we supported the establishment of the Dearing Inquiry, set up by agreement between the main political parties. In our submission to the Inquiry, we worked from four key principles - quality, access, equity and accountability - which have helped to inform the Inquiry's deliberations and our response to them today.

Investment in higher education is an investment in the future. It is therefore right that the state should contribute to the costs to help ensure the country's continued economic competitiveness. But it is right, too, as the Inquiry concludes, that the costs should be shared with those who benefit from improved and expanded higher education in terms not just of employability but also of the quality of their life. There is clear evidence that graduates start to move ahead of others in the levels of their salaries soon after graduation. At present through the taxes they pay, the 70% who do not benefit from going on to higher education at 18 are subsidising the 30% who do.

This leaflet explains the background to the Government's plans for sharing the cost of higher education in the light of the National Committee's recommendations - plans which will enable our people to enjoy more and wider opportunities to participate in high quality higher education for their benefit and the benefit of the whole country.

David Blunkett
Secretary of State for Education and Employment



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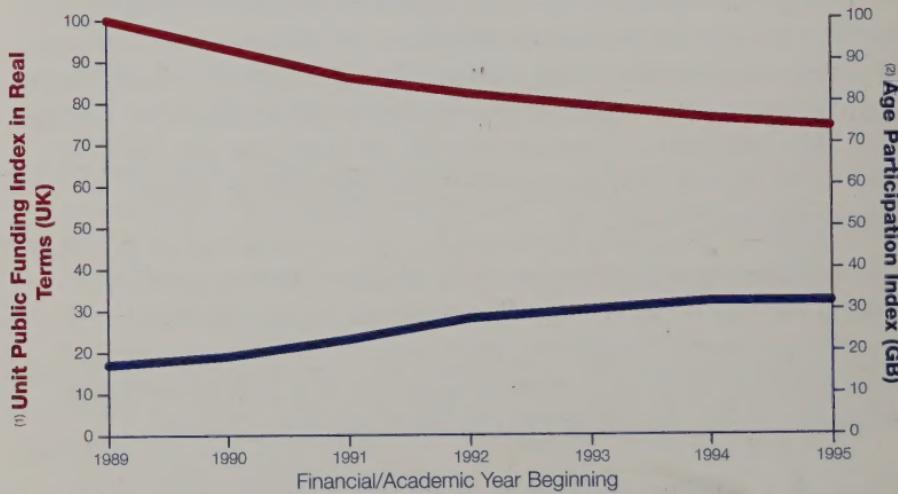
Change in Higher Education

The last decade has been a period of dramatic change and growth in higher education:

- full-time student numbers increased by almost 70% between 1989 and 1995;
- one in three young people now enter higher education compared with one in six in 1989;
- but public funding for institutions has fallen by around 25% per student over the same period, putting considerable pressures on universities and colleges.

The expansion of higher education and the decline in funding per student are shown in Chart 1.

Chart 1: The Unit Public Funding Index and the Age Participation Index for Higher Education, 1989 to 1995



Source: DfEE

(1) The unit public funding index is derived from a division of the recurrent grants from the UK HE funding bodies and tuition fee income for home and EU students by relevant full-time equivalent students numbers; figures are shown in real terms, deflated to 1995-96 prices and expressed as an index with 1989-90 set at 100%. Chart 3.16 in the Committee's report shows that public funding per student has fallen by more than 40 per cent over the longer term (since 1976).

(2) The API is the number of young (aged <21) home domiciled initial entrants to full-time & sandwich undergraduate courses in institutions of further or higher education across Great Britain, expressed as the proportion of the averaged 18 to 19 year old GB population. Initial entrants are those entering courses of higher education for the first time.

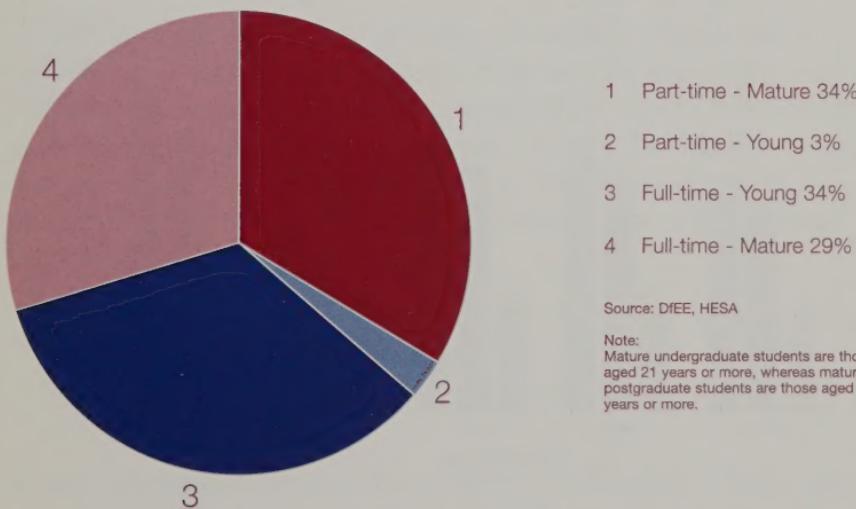
In 1994, faced with increasing demand for higher education, the previous Government imposed a ceiling on growth in full-time undergraduate student numbers. The result is that access to higher education for young people and adults has been restricted.

Along with the growth in numbers has gone a change in the student population in higher education:

- over half of all students are mature students. Indeed, the number of mature entrants now exceeds the number of 18-21 year olds starting in higher education;
- part-timers comprise just over a third of all students.

The make up of the student population is shown in Chart 2.

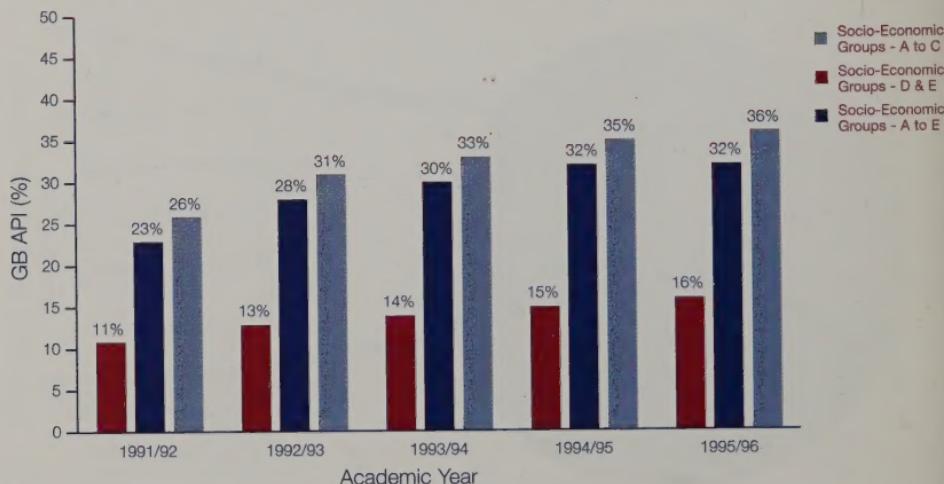
Chart 2: Undergraduate & Postgraduate Students in the UK, 1996/97 by Mode of Attendance and by Age



Throughout this period, most full-time undergraduate students resident in the UK or other EC countries have received their higher education tuition free of charge. In further education by contrast many full-time students aged over 18, as well as part-time students, are charged a fee which covers roughly a quarter of the costs of the course. Part-time students in higher education pay a fee, which on average covers about a quarter of the costs of the course, as do postgraduate students.

The current student support system is generous by international standards. Until 1990 full-time UK based students studying for a first degree received 100% grants for maintenance, means-tested according to parental income. The previous Government in 1990 introduced loans which have progressively replaced grants for living costs. At present students eligible for full maintenance support get £3,355 a year or £4,140 in London - 50% through a means-tested grant and 50% through a subsidised loan. Better-off parents are expected to make a contribution

Chart 3: Age Participation Rate for Socio-Economic Group



Source: DfEE, UCAS

- (1) The socio-economic groups shown are based on the Institute of Practitioners in Advertising (IPA) definitions as follows:
A - Professional; B - Intermediate managerial, administrative or professional; C₁₂ - Skilled Manual/Non-Manual;
D - Party Skilled; E - Unskilled.
- (2) The API is the number of young (aged <21) home domiciled initial entrants to courses of HE in FE and HE institutions across Great Britain, expressed as the proportion of the average 18 to 19 year old GB population. Initial entrants are those entering full-time & sandwich undergraduate courses of HE for the first time.
- (3) Acceptance data from the admissions agencies (UCCA, PCAS and UCAS) provided the distribution of initial entrants by social class.
- (4) The 1991 census provided the population distribution by social class - the same distribution is used for all years.

of up to £2,000 a year to supplement the loan. Full-time students also have access to Access Funds held by individual universities and designed to assist students in hardship.

Graduates pay back loans in fixed, mortgage-type repayments but can defer repayment if their incomes are low. Once repayments start they typically take place over five years. They are not contingent on income and are concentrated in the years when graduate incomes are typically at their lowest. Part-time and postgraduate students (other than those on teacher training courses) have no entitlement to public funds for living costs, although full-time postgraduate students may apply for grants on a selective basis.

Despite the availability of grants and loans, students from poorer backgrounds continue to be seriously under-represented in higher education. Changes in the participation rate by socio-economic group are shown in Chart 3. The increase in participation in the 1990s amongst socio-economic groups A to C has been double that among groups D and E.

The Dearing Inquiry

Against this background, the National Committee of Inquiry was established in May 1996 by agreement between the main political parties to make recommendations on how the purposes, shape, structure, size and funding of higher education, including support for students, should develop to meet the needs of the UK over the next 20 years. Key principles to which the Committee was asked to have regard included the following:

- that there should be maximum participation in initial higher education by young and mature students and in lifelong learning by adults, having regard to the needs of the individuals, the nation and the future labour markets;
- that standards of degrees and other HE qualifications should be at least maintained and assured and the effectiveness of teaching and learning enhanced;
- that arrangements for student support should be fair and transparent;

- that value for money and cost-effectiveness should be obtained in the use of resources.

The Committee consulted widely and received evidence from 840 individuals and organisations. The Labour Party submitted evidence in its document *Lifelong Learning*, which set out four key principles underlying the then Opposition's approach to lifelong learning:

- quality - protecting and enhancing the standard of teaching and research;
- access - improving access to learning opportunities;
- equity - ensuring that no-one is denied access to further and higher education because of their financial circumstances, background or choice of study;
- accountability - ensuring that colleges and universities are accountable, as well as responsive to their students and the needs of the wider community.

The Committee reported on 23 July 1997.

The Learning Society

The National Committee of Inquiry entitled their report *Higher Education in the Learning Society*, thus clearly recognising the crucial role of higher education in the development of people, society and the economy. The Government welcomes the Committee's emphasis on the importance of lifelong learning through further education, higher education and training.

All the Committee's recommendations are set in the context of a learning society. The Government endorses the need to extend opportunities for lifelong learning. This will help to ensure that people are equipped with the skills and knowledge they will need to respond to the technological and other changes taking place in our increasingly competitive global economy. The regular updating of these skills will be essential if the economy is to continue to grow and if individuals are to find fulfilment both in and outside work.

As the Committee point out in their report, even though the target of one in three young people entering higher education by the year 2000 has

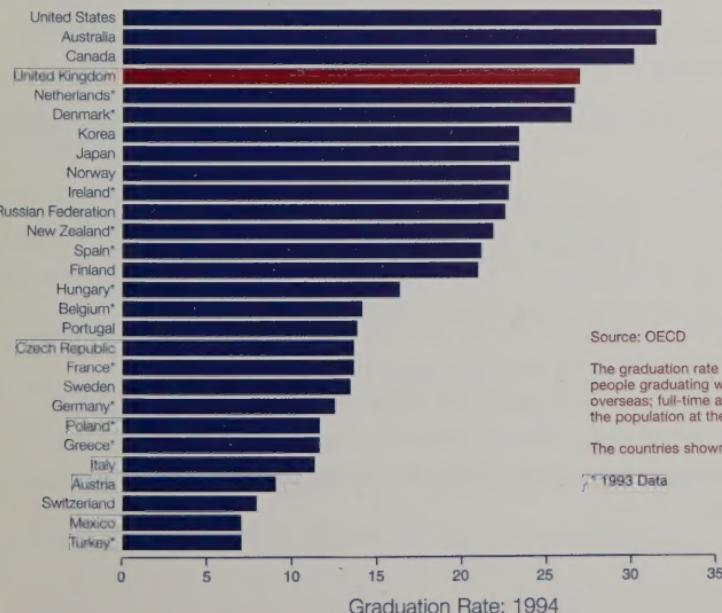
been largely achieved, international comparisons show that we cannot afford to stand still. As Chart 4 shows, our ratio of new graduates to population falls behind the US, Australia and Canada; and Japan and Korea are catching up.

The National Committee of Inquiry's report

The report sets out a vision of a world class higher education system based on high quality learning and teaching, combining rigour and economic relevance. The Government endorses the Committee's statement of the aims and purposes of higher education, which build on those set by the Robbins Committee some thirty years ago and are as follows:

- to inspire and enable individuals to develop their capabilities to the highest levels throughout life;
- to increase knowledge and understanding;

Chart 4: Graduate Rates: Ratio of New Graduates to Population of Typical Graduation Age



Source: OECD

The graduation rate is defined as the total number of people graduating with 1st degrees in 1994 (home and overseas; full-time and part-time) per 100 people in the population at the theoretical age of graduation.

The countries shown are ranked in descending order.

*1993 Data

- to serve the needs of the economy at local, regional and national levels; and
- to play a major role in shaping a democratic, civilised and inclusive society.

The Committee's report offers wide-ranging recommendations designed to enable higher education to fulfil these purposes and meet the challenges posed by expanding demand. Key themes and recommendations, apart from those on funding (see below), include the following:

- a new compact for higher education between the state, individuals and their families, graduates and institutions. Each should contribute to - and receive benefits from - higher education;
- participation should be increased and widened mainly through two year sub-degree courses of higher education provided in colleges of further education;
- students should receive high quality education and be able to make informed choices about what is on offer, its standards, quality, costs and intended outcomes;
- measures should be taken to improve standards in teaching and to ensure the comparability of awards;
- there should be a greater emphasis on the regional role of universities and colleges;
- universities and colleges should govern and manage themselves to obtain maximum efficiency and effectiveness; and
- excellence in research should be supported.

The Government welcomes and supports in principle these recommendations, many of which are addressed to higher education and other national bodies. The Government will be responding to the recommendations addressed to it in a White Paper on Lifelong Learning later in the year.

Its response will also set out how the other bodies concerned are following up the recommendations addressed to them. Meanwhile, representative bodies and other interested parties are being invited to offer any comments they wish on the recommendations.

Funding higher education

The National Committee of Inquiry recognise that further improvement and expansion of higher education cannot be afforded on the basis of current funding arrangements. Their guiding principles envisage that the costs should be shared between those who benefit. Their main conclusions and recommendations are as follows:

- that there is a range of additional short-term and long-term funding needs for higher education which need to be addressed. Assuming an increase to 45% full-time participation by young people, the funding gap in 20 years time could be £2 billion or more;
- that the funding gap facing higher education requires new approaches to funding to be found;
- that from a range of options for funding higher education their preferred option for full-time students is one which involves the payment of £1,000 per year in fees - roughly 25% of the average cost of a course. In addition this option would retain the present system for student maintenance.

The Government's response on future funding arrangements has been guided by the following key principles on funding higher education students set out in the Labour Party's evidence to the Inquiry *Lifelong Learning*:

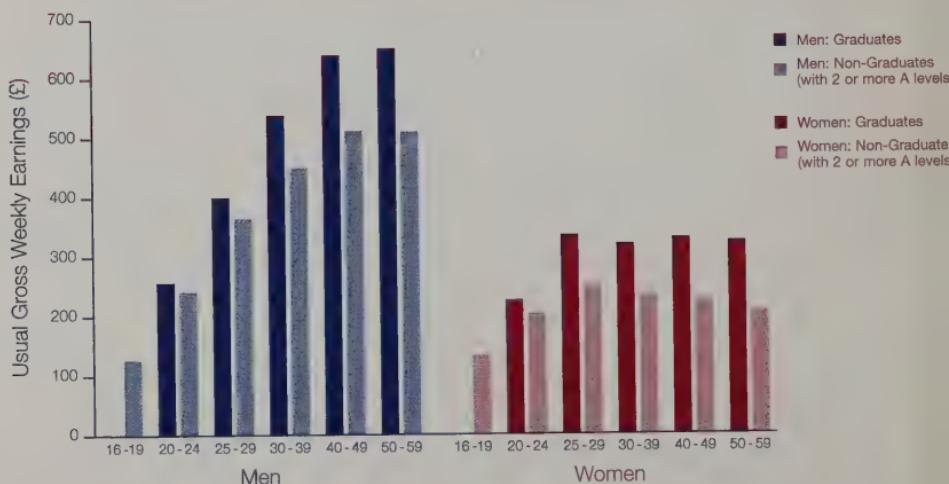
- access to higher education should not depend upon ability to pay;
- the repayment of graduate contributions to maintenance costs should be related to income;
- access to high quality higher education should be improved;
- the system of funding should be made more efficient.

These principles underpinned the conclusion in that evidence that the present means-tested maintenance grants should be replaced by loans so that all support for maintenance would be through loans, to be repaid on an income contingent basis by graduates in work.

The Government believes that the present student support system is not working well and should be replaced. The current student support arrangements have not encouraged students from lower socio-economic groups to enter higher education, whether on part-time or full-time courses. Students also need greater assurance that they will have access to funds to cover their living costs.

The Government agrees with the Committee that the costs of higher education should be shared between those who benefit. The gains for those in higher education are considerable. On average, as Chart 5 shows, graduates start to earn more than non-graduates within a few years of graduation, rising to 15% more within about five years and 20% more within ten.

Chart 5: Weekly Earnings by Age and Level of Qualification



Source: General Household Survey 1990-95. Earnings data uprated to 1996 prices.

Note:
Part of the earnings difference between graduates and people with just 2+ A levels reflects factors other than education.

The Government has therefore developed plans for new funding arrangements which build more equity into the proposals in *Lifelong Learning* and build on the Committee's own preferred option.

The Government plans to introduce an annual tuition fee of £1,000, representing about a quarter of the average cost of a course. Tuition will continue to be free for students from lower income families. Other full-time students will pay up to £1,000 per year depending on parental income. The cost of the fees will be balanced by increased loans for maintenance, also related to parental income. The overall effect, as explained below, will be that the total contribution required from the parents will be no greater than it is now.

Under these plans, all students will be eligible for 100% loans for maintenance, which will be related to parental income. The total parental contribution to fees and maintenance taken together will be no more than is expected at present. Repayments will be made according to income once the graduate is in work.

A supplementary hardship provision of £250 will also be available on an income contingent loan basis to students in financial difficulty.

The Committee's funding options assume that repayments should begin when a graduate's income reaches £5,000. The Government will consult on a starting point for repayments on a higher income basis. The Government also believes that repayments should be on a more extended timescale and therefore at a lower level. Detailed proposals for a repayment schedule will be brought forward in the autumn.

The Government will consider carefully the Committee's recommendation that collection mechanisms should be through the tax system.

Top-up fees play no part in the Government's proposals. No university or college should proceed on the basis of introducing such additional fees.

These new arrangements will mean:

- no increase in parental contributions;
- no parental contributions from lower income families;

- no contribution to fees from students from lower income families;
- repayments of future loans will be related to income which will help graduates at the start of their careers, who are hardest hit under the current loans scheme;
- a longer average repayment period than at present;
- a supplementary loan of £250 for students in financial difficulties;
- a closer alignment between arrangements for students in higher and further education and for full-time and part-time students;
- increased participation as soon as possible to catch up with our competitors;
- improved quality in higher education for the future.

The Government will be considering how the new arrangements will apply to the particular position of higher education in Scotland.

These proposals will mean more money for universities, and the Government will ensure that savings are used to improve quality, standards and opportunities for all in further and higher education.

What do these new arrangements mean for students, parents, graduates and institutions?

For students these new arrangements will mean:

- **students from lower income families will continue to receive free tuition.** Other full-time students will pay up to £1,000 per year (ie about 25% of the average cost of a course), depending on parental income, which will bring them into line with current arrangements for part-timers and postgraduates;
- the total available loan for maintenance will be increased to the value of the current grants/loans package, subject to parental income. Grants will cease to be available. Students from lower income families will have access to the full loan;

- students who find themselves in difficulty will have access to a **supplementary loan of £250;**
- the Government is considering the need for appropriate measures such as bursaries for students entering teacher training and some health and social care professional courses, given the State's particular interest in securing a continued supply of trained teachers and qualified health and social care professionals. Employers in other fields may wish to consider similar arrangements.

For parents these new arrangements will mean:

- there will be no parental contribution from lower income families;
- **there will be no increase** in parental contributions from middle and higher income families.

For graduates these new arrangements will mean:

- repayments of future loans will be related to income;
- the average repayment period will be longer than at present.

For institutions these new arrangements will mean:

- the prospect of savings being re-invested for improvement and expansion;
- higher quality flowing from the range of recommendations in the Committee's report.

Implementation

The new measures will apply to new entrants to higher education in October 1998. The Government is examining how such changes might be phased in.

The arrangements outlined above represent the Government's preferred approach to the funding of higher education. Representative bodies will be invited to submit views by the end of September, which the Government will take into account in making a fuller policy statement in the autumn.

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